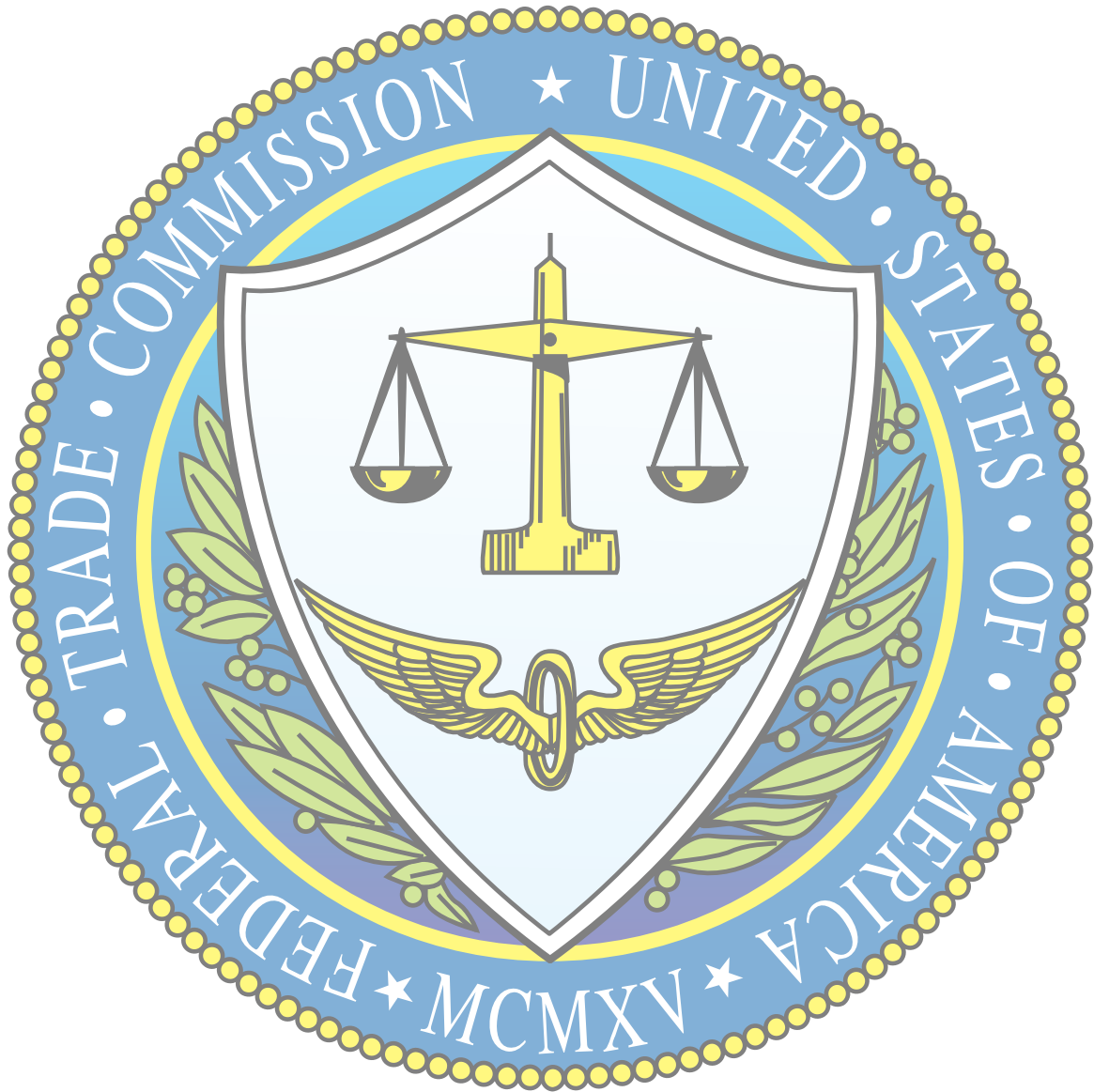




Federal Trade Commission

P E R F O R M A N C E
& **ACCOUNTABILITY REPORT**

F I S C A L Y E A R 2010



ABOUT THIS REPORT

The Federal Trade Commission's (FTC) Fiscal Year (FY) 2010 Performance and Accountability Report (PAR) provides the results of the agency's program and financial performance and demonstrates to the Congress, the President, and the public the FTC's commitment to its mission and accountability over the resources entrusted to it. This report, available at www.ftc.gov/par, includes information that satisfies the reporting requirements contained in the following legislation:

- Federal Managers' Financial Integrity Act of 1982
- Government Performance and Results Act of 1993
- Government Management Reform Act of 1994
- Reports Consolidation Act of 2000
- Accountability of Tax Dollars Act of 2002
- Improper Payments Information Act of 2002

The performance and financial information contained in this report is summarized in a "Summary of Financial and Performance Information" report available at www.ftc.gov/par by February 2011.

CERTIFICATE OF EXCELLENCE



The FTC received the Association of Government Accountants' *Certificate of Excellence in Accountability Reporting* for its FY 2009 PAR.

HOW THIS REPORT IS ORGANIZED

This report includes four major sections plus supplemental information.



1. Management's Discussion and Analysis Section

The Management's Discussion and Analysis (MD&A) Section provides an overview of the FTC's mission and organization, an overview of key performance measures and efficiency measures, mission challenges, financial highlights, and management assurances on internal controls, financial systems, and compliance with laws and regulations.



2. Performance Section

The Performance Section explains the FTC's performance relative to its strategic goals and objectives, and includes an overview of how the performance data are verified and validated.



3. Financial Section

The Financial Section provides financial details, including the independent auditor's report and audited financial statements.



4. Other Accompanying Information Section

The Other Accompanying Information Section provides management and performance challenges identified by the Inspector General along with the Chairman's response and a summary of financial statement audit and management assurances.



5. Appendices

Appendix A lists the acronyms used throughout this report; Appendix B lists the measures replaced in the latest update of the agency's strategic plan; Appendix C provides contact information and acknowledgements.

THE FTC AT-A-GLANCE

History

The federal government created the Bureau of Corporations in 1903. In 1914, President Woodrow Wilson signed the Federal Trade Commission Act into law, and the Bureau of Corporations became the FTC.

Laws Enforced

The FTC is a law enforcement agency with both consumer protection and competition jurisdiction in broad sectors of the economy. The agency administers a wide variety of laws and regulations, such as the Federal

Trade Commission Act, Telemarketing Sales Rule, Identity Theft Act, Fair Credit Reporting Act, and Clayton Act.

Profile

- The agency is headquartered in Washington, DC, and operates with seven regions across the United States.
- The agency had over 1,100 full-time equivalent employees at the end of FY 2010.
- Total new budget authority for FY 2010 was \$293 million.

DID YOU KNOW?

- Consumers are affected every day by the FTC's activities. For example, consumers receive fewer telemarketing calls, obtain free credit reports, receive less spam, receive identity theft victim assistance, access truthful information about health and weight-loss products, pay lower prescription drug prices thanks to the availability of generic drugs, and enjoy competitive prices for goods as a result of merger reviews and actions taken by the FTC.
- The agency manages the National Do Not Call (DNC) Registry, which gives consumers the opportunity to limit telemarketing calls. At the end of the fiscal year, there were more than 200 million active registrations on the DNC Registry.
- In FY 2010, the FTC took action against mergers likely to harm competition in markets with a total of \$22.5 billion in sales. The agency's efforts to maintain aggressive competition among sellers benefit consumers through lower prices, higher quality products and services, additional choice, and greater innovation.
- The FTC shares the more than 13.6 million consumer fraud, identity theft, financial, and DNC Registry complaints it has collected during the past five years with more than 1,900 law enforcement partner agencies worldwide via the secure Consumer Sentinel Network website.

MESSAGE FROM THE CHAIRMAN



Jon Leibowitz
Chairman

The Federal Trade Commission is a small agency with a broad mission, and we strive to serve the American public efficiently and effectively. This past year, continuing financial hardship for many consumers and changes in our technology-driven marketplace have required the FTC to be flexible and to stay on the cutting edge of consumer protection and competition issues. Together with our talented and dedicated staff, we have worked harder than ever to leverage our limited resources and unleash our creativity to meet the nation's economic and technological challenges—and to produce results for the American people. This Performance and Accountability Report for Fiscal Year 2010 shows how we managed our resources, highlights our major accomplishments, and outlines our plans to address the challenges ahead.

While the FTC's two core goals—protecting consumers and maintaining competition—have not changed, we continue to adapt our objectives and strategies to achieve these goals. To protect consumers, the FTC has given priority to addressing the financial crisis, privacy, technology and new media, marketing of health care products, “green” marketing, and marketing to children. To maintain competition, we work to preserve competitive markets as the most efficient way to bring consumers lower prices, greater innovation, and more choices in areas such as health care, technology, energy, and retail. We also have added a third goal, “advance the FTC's performance,” to highlight our dedication to organizational, individual, and management excellence.

FY 2010 PERFORMANCE HIGHLIGHTS

- **FINANCIAL DOWNTURN:** With Americans continuing to feel the effects of the economic downturn, the FTC has moved deftly to stop fraudulent, deceptive or unfair schemes that exploit financially distressed consumers. These efforts include law enforcement actions against foreclosure “rescue” scams, bogus debt relief and credit repair services, and deceptive work-at-home and get-rich-quick schemes. We also reached a \$108 million settlement with two Countrywide mortgage servicing companies to resolve charges that they collected excessive fees from borrowers who were struggling to keep their homes. In addition, the FTC enacted a new rule to combat deceptive and abusive telemarketing of debt relief services, and continued to educate consumers about managing their finances and avoiding scams.
- **PRIVACY:** The FTC continued its ambitious consumer privacy program, focusing on online privacy, data security, children's privacy, and protecting consumers from intrusive telemarketing. This year the Do Not Call Registry, one of our most successful and popular initiatives, surpassed 200 million registered numbers. We also examined privacy issues at a series of public roundtables exploring ways to foster privacy protections without limiting innovation in areas including social networking, online behavioral advertising, and mobile marketing; we will issue proposals for comment in FY2011.
- **HEALTH CARE AND PHARMACEUTICALS:** The high cost of health care is a huge concern for consumers, employers, and the nation as a whole. An FTC priority is ending “pay-for-delay” agreements between brand-name drug companies and their generic competitors, which keep low-cost generic drugs off the market, costing consumers \$3.5 billion a year. The FTC has investigated and challenged such pharmaceutical patent settlements and supports legislation to eliminate this problem. The agency also monitored mergers between hospitals, pharmaceutical

companies, and medical device manufacturers, taking action against mergers that may raise the cost of health care.

- **HIGH-TECH:** The FTC's antitrust investigations increasingly have involved high-technology sectors of the economy. For example, the agency took action against Intel Corporation, charging the world's leading computer chip maker with illegally using its dominant market position to stifle competition and strengthen its monopoly. The Commission's settlement with Intel will put an end to its anticompetitive practices, while allowing Intel to compete on the basis of high quality, innovative products, so that consumers will reap the benefits of fair competition.
- **COMPETITION POLICY:** During FY 2010, the FTC held six conferences on competition-related topics, including energy, merger guidelines, the intersection of patent policy and competition policy, and journalism in the Internet age. After public comment, the FTC and the Department of Justice issued revised horizontal merger guidelines to help the public, practitioners, and the courts understand how the agencies analyze these transactions.
- **OUTREACH AND PARTNERSHIPS:** The FTC's stakeholders include consumers, industry, and law enforcement partners, and we look to them to help identify marketplace trends and challenges. We encourage the public to contact us through our online complaint forms and toll-free phone numbers, and invite stakeholders to workshops and hearings to discuss current issues and industry developments.

We enforce consumer protection and antitrust laws with the assistance of our domestic and foreign law enforcement partners, and maximize the deterrent impact by publicizing our work through various media and an extensive consumer and business education program. We communicate directly with consumers through both online resources such as www.ftc.gov and printed publications. Much of the agency's extensive consumer education materials are also available in Spanish at www.ftc.gov/ojo.

FINANCIAL MANAGEMENT

We take our jobs as stewards of the taxpayers' money seriously. For the FY 2010 independent financial audit, we received our 14th consecutive unqualified opinion, the highest audit opinion available. The independent auditors did not identify any material weaknesses, significant deficiencies, or instances of non-compliance with laws and regulations. I am also proud to report we had no material internal control weaknesses (see Statement of Assurance, p. 25) and that our financial and performance data in this report are reliable and complete under Office of Management and Budget guidance. Also of note, if you combine all the consumer redress we distributed and fines we collected in FY 2010, plus our Hart-Scott-Rodino and Do Not Call fees, our agency would have returned to U.S. taxpayers nearly half of our FY 2010 appropriation.

FUTURE CHALLENGES

In accordance with the Reports Consolidation Act of 2000, the Inspector General (IG) identified key management and performance challenges facing the agency, and he assessed our progress in addressing them. This year, the IG determined that FTC management faces challenges in protection of data (both personally identifiable information and non-public information), information technology security, and case management to target the most significant consumer problems. Agency management agrees that these are critical challenges, and with the IG's assessment of our progress, as discussed in the Other Accompanying Information Section of this report (see p. 123). Moving forward, we will continue to tackle these matters proactively.

Along with my fellow Commissioners and the FTC's extremely capable and committed staff, I look forward to working with Congress, consumers, industry members, and our domestic and international law enforcement partners in continuing to protect consumers and promote competition in these challenging times.



Jon Leibowitz
November 12, 2010

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